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The Changing Dynamics of Corporate Social Responsibility in India (1850-Post Covid Time)

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Abstract

Corporate Social Responsibility (CSR) has been an integral part of the Indian social and economic scenario since time-immemorial. Business world around have been recognizing their role in maintaining sustainability. The importance around the concept has gradually risen since the last three decades in India. Further, with the new Companies Act 2013, incorporating CSR as a mandatory provision in Indian the importance around the topic has reached its peak. The present study is thus an attempt to see the changing dynamics of CSR in India over the years and also to see its role in socio-economic development of the country through evidences from the Indian Companies.

Keywords: Corporate Social Responsibility, Covid-19, Dynamics, Mandatory.

Introduction

Profit remains a key matter in any business activity. The main aim of a capitalist economy is earning more and more profits. But recently a new concept has evolved termed as co-operational capitalism. This new concept of capitalism though focuses on profit earning but it also has the essence of co-operation, accountability and values. The new generation of corporate leaders must know the concept of profit optimization rather than only profit maximization. Hence, business should shift accountability from only shareholders to stakeholders. (Banerjee, 2015) ^[1].

CSR is a managerial concept where social and environmental issues are taken up by companies while dealing with various stakeholders. The term CSR does not have a definition which is universally accepted by all but the main theme is centered around the belief that apart from profit, business have a sense of responsibility towards the society. CSR helps companies to achieve a balance between its organizational goals and its social goals. The CSR programmes can be implemented in companies as part of its broader programme or in a piecemeal approach.

On April 1, 2014, India became the first country in the globe to legally mandate corporate social responsibility. The new rule listed in Section 135 of Companies Act, 2013 in India made it mandatory for companies with a turnover of INR 10 billion (US\$140 Million) or more, or a net worth of INR 5 billion (US\$ 70 million) or more, or net profit of INR 50 million (US\$ 699,125) or more to spend two percent of their average net profit for the past three years on CSR. (S. Choudhury, 2020)

Prior to this landmark achievement in the field of CSR,

Religious traditions of daan, seva has always existed in India since centuries which enabled to create a relationship between the privileged and the under privileged. Though the term CSR is new to India, but the concept dates back to the ancient time, where ancient philosophers like Kautilya gave importance to ethics while conducting business. During the first world war, there was an industrial fight among the business leaders which arose due to a new wave of corporate philanthropy which led Mahatma Gandhi to evolve the Principle of Trusteeship.

In the 1990's with the opening of the Indian Economy, it became important for the companies in India to match the international standards. The western industries were more concerned about the environmental and social issues, thus, making it necessary for the Indian industries to comply with them.

The present study thus, attempts to study the changing dynamics of Corporate Social Responsibility and how these changes have contributed towards the environment of the country over time. The period of study ranges between 1850- to the present time.

Phases of Corporate Social Responsibility in India

The First Phase (1850-1914): The first phase of CSR in India was driven by charity and philanthropy. The CSR initiatives were also influenced by culture, religious beliefs, family values and traditions. During this period, the wealthy merchants of the country shared a part of their wealth by building temples and places of religious importance. They also made huge charitable contributions to the society during famines and epidemics. But with the start of colonial rule in

India during the 1850's and advent of industrial families like Tata, Godrej, Birla the shape of CSR changed. These families were concerned with both the social and economic development. (Nagwan, 2014) ^[9].

These phase of CSR though brought about transformations in the field of Corporate Social Responsibility and developed the social conditions of people in the country but it was also observed that the efforts to develop the society was not selfless and driven by religious motives but it also included political objectives.

The Second Phase (1910-1960): The second phase of CSR started during the independence movement where there was an pressure on the industrialists of India to demonstrate and showcase their loyalty and dedication towards the progress and development of the society. During this period, Mahatma Gandhi introduced the principle of trusteeship, which highlighted that they had to use their wealth for the common man's benefit. Gandhiji's principles and ideology put pressure on various industrialists to work for the development of the nation. Indian industrialists started building up of trusts to facilitate schools and colleges and the operations of the trusts were governed by the ideologies of social upliftment like removal of social evils, women empowerment, abolishment of untouchability etc. (Banerjee, 2015) ^[11].

The Third Phase (1960-1980): The third phase was marked by the emergence of the mixed economy. During this period, the Public Sector Undertakings rose and many new environmental regulations were framed. The Public sector contributed much towards the economy and the role of the private sector took a backseat. Stringent laws and regulations were framed to put restrictions on the working of the private sector. High tax rates were imposed on the private sector which led to corporate injustice. This was followed by the enactment of legislations and corporate governance practices to bring equity in the country. The main aim of focusing on the role of Public sector was to provide resources to the needy section of the society but gradually it was realized that the public sector was enough to support the society and recognizing the role of private sector became important and they became an essential contributor towards the socio-economic development of the country. In the year 1965, well know persons from Indian academics, economics and other fields held a discussion on the topic of Corporate Social Responsibility and the importance of transparency in business but in spite of all these it failed to gather momentum. (Nagwan, 2014) ^[9].

The Fourth Phase (1980- to the Pre-Covid Time): During the fourth phase, the traditional system of incorporating CSR was abandoned by the Indian business houses and rather CSR was included as part of business strategies. This change became more evident with the advent of liberalization and globalization in the early 1990's. Many controls and licensing policies were done away with. India became a major hub of manufacturing for most of the multinational and transnational corporation. The western countries were more concerned about the environmental and social standards and thus it became important for Indian companies to pay close attention to these factors while exporting goods.

Present State of CSR in India

In the present situation, it has been observed that business houses cannot work in isolation. Their activities have a direct impact on the consumers, shareholders, the employees and also the society at large. The main aim of companies in the present situation is not profit maximization alone. They also

have to utilize resources for the betterment of the community. The provisions of CSR in India was first incorporated under the Companies Act, 2013. The main rules were included under Section 135, Companies (Corporate Social Responsibility) Rules, 2014. The Act was further amended in the year 2019 and Schedule VII was incorporated which stated mandatory provisions for incorporation of CSR in the country. (Singla, 2018) ^[12].

The expenses made towards CSR activities are not eligible for deduction under the Income Tax Act.

CSR Amendments under the Companies (Amendment) Act, 2019

Prior to the amendment in 2019, if a company was unable to fully utilize its CSR funds during a particular year, it could carry forward that amount and spend it in the next fiscal year and that amount was given in addition to the money allotted for that particular year.

However, with the new amendments in the CSR Act, companies are now able to deposit the CSR funds which are unutilized into a prescribed fund which is given under Schedule VII of the Act within the end of the fiscal year. This deposited fund must be used within three years from the date on which it was transferred, failure to do so will result in the deposition of funds in some other specified fund.

Non-compliance with this provision will result in both penalty and imprisonment. The penalty as mentioned in the act ranges from INR 50,000 to INR 2.5 million whereas the officer of the company who was in charge of utilization is found to be defaulting may be liable to imprisonment for up to three years, or a fine up to INR 500,000 or both.

CSR plans are found to be most effective when organizations along with complying with legislations, also respect the growth of other communities and also the environment by taking up activities to protect them.

Listed companies in India spend about INR 100 billion in various activities of CSR in various sectors including education, skill development, healthcare, and environment conservation. The Prime Minister's Relief Fund alone saw an increase of 139 percent in CSR contribution during 2019.

The sector which received the highest contribution was the education with a funding of 38 percent of the total contribution, it was followed by other sectors like poverty, hunger and healthcare which received a contribution of 25 percent each, environmental sustainability got 12 p.c. and rural development 11 p.c.

CSR and Sustainable Development Goals

Sustainable Development Goals (SDGs) were a collection of seventeen globally important goals which were designed to achieve a sustainable future for all i.e. the whole world. These seventeen goals consisted of 169 targets to be achieved by 2030. (S. Choudhary *et al.*, 2020) ^[5].

India is one of the few countries in the world who played an important role in the creation of the United Nations Sustainable Development Agenda 2030 and many of our National Development Agenda is linked with achieving Sustainable Development Goals (SDGs).

The slow progress of India in achieving the goals require immediate action may be through a collaboration between the civil sector, corporate sector and the government. The role of Corporates are the most important because they are often seen as the key drivers of SDGs as they can apply their creativity and innovation in achieving the sustainable goals.

Many companies nowadays are aligning their CSR areas in

accordance with SDGs to meet their CSR mandate. For example, when the CSR focus areas of a business house is to enhance livelihoods of people through skill development training, it is contributing to various SDGs such as creating a link to end poverty, focusing on zero hunger, providing quality education, promoting gender equality and economic growth.

The Post-Covid Scenario

In the year March 23, 2020, the Ministry of Corporate Affairs (MCA) declared that the funds spent by various organizations towards COVID-19 activities would be treated as CSR activity. The CSR funds of companies were allowed to be used towards building healthcare infrastructure and prevention of disaster management. The circular of MCA also stated that the CSR funds can be spent for various activities related to COVID-19 management such as eradication of extreme hunger and poverty, management of disaster including relief, rehabilitation and reconstruction activities, promotion of health care, including preventive healthcare and sanitation.

The PM Cares Fund and Covid 19

With the spread of Covid 19 rapidly throughout the country, it was felt that there was a necessity to have a dedicated national fund whose primary objective is to deal with any kind of emergency situation, such as the pandemic, and to provide relief to people, thus, a public charitable trust under the name of 'Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES Fund)' was set up on March, 2020. The Chairman of the trust was the Prime Minister and the members included the Home Minister, the defence minister and the Finance Minister.

After the formation of the PM CARES Fund, in a subsequent notification issued on 28 March 2020, the MCA stated that all contributions made to the PM-CARES Fund will be counted as a mandatory corporate social responsibility spend. Subsequently, the Schedule VII of the Companies Act, 2013 was also amended and the PM-CARES Fund was also included along with the Prime Minister's National Relief Fund as a mandatory CSR activity. (Choudhury, 2020)

Further Amendments to CSR Norms

On August, 2020, the Indian government amended the CSR norms in order to include the expenses of Research and Development on new vaccines, medical devices purchased to deal with COVID-19. Companies which were previously engaged in research and development activities of new vaccines, medical devices and medicines in their normal course of business were also allowed to undertake research activities of new vaccine, drugs and medical devices related to COVID-19 for three financial years i.e. 2020-21, 2021-22 and 2022-23.

Further there were certain additional conditions like such activities should be carried out in association with any of the institutes mentioned in item (ix) of Schedule VII of the Companies Act. and, details of such activities should be disclosed separately in the Annual Report on CSR along with the Board's report.

Examples of CSR: Evidences from India

It is already mentioned that India is the first country in the world which made CSR activities for the companies mandatory. Few of the efforts taken companies in the country

Tata Group

The TATA Group is a pioneer in the field of CSR. The culture of giving back to the society was sown right from the time of Jamsetji Tata. Tata an Indian conglomerate provides goods and services to 150 plus countries and has 600,000 plus employees and runs operations in more than 100 countries. It has contributed through its TATA Sustainability Policy to the CSR goals of the nation as well as other countries too. The Tata group is committed to integrate environmental, social and ethical principles into its business which is the key to improve the quality of life of the communities across the globe.

Some of the key CSR initiatives taken by the group are listed below

- **Skill Development Initiatives:** The TATA group focused on providing skill based training and entrepreneurial opportunities to the disadvantaged section of the society. Some of these skill based training initiatives are given below:
- **Shaping Rewarding Careers (India):** This is training programme relating to hospitality started by Indian Hotels' which offers skill-based training to the underprivileged youth and help them flourish in their careers.
- **Driving Economic Regeneration (Europe):** This initiative was taken up by the UK Steel Enterprise which aims at economic regeneration of communities affected by changes in the steel industry.
- **Enhancing Employability and Safety (India):** It is a year-long programme started by Tata Motors, which aims at training youth through both theory and on-the-job exposure.
- **Unleashing Aspirations to Succeed (India):** Project 'Udaan' was developed by TCS to help the youth caught in challenging circumstances in Jammu and Kashmir to prove their skills and join the working community.

Promoting Education: The Steps Taken by the Group in the Field of Education are as Follows:

Empowering Girls (India): The TATA GROUP through Titan Kanya initiative tried to empower the girls child by providing the education. Currently the group supports more than 80 learning centres which consists of over 2,500 girls, and approximately 4,000 girls through Nanhi Kali initiative. The employees and associates of the group support more than 3,000 girls.

Instilling Reading Habits (North America): The TATA group has donated nearly 3,00,000 books, which are valued at more than \$1.5 million, throughout the US and Canada through the First Book reading programmes.

Moulding Young Minds (India): Tata Global Beverages has taken up the initiative to provide world class education facilities at the High Range School in Munnar, Kerala. The group along with education focuses on all round development of the students.

Protection of the Environment: The group has taken the following steps for protection and conservation of the environment:

Preserving Biodiversity (India): Tata Power has taken up steps for conservation of the habitat many years back. Since 1970, it has planted a total of 13,000,000+ saplings. The initiative has increased the water retention capability of the springs, and preserved the flora and fauna.

Protecting the Mahseer (India): TATA power has taken up the initiative to protect the golden mahseer. The golden Mahseer has received a new lease of life. Tata Power breeds

on an average, over 1.5 Lakh Mahseer each year and gives them gratis to many states in India.

Conserving the Marine Turtle (India): TCS is actively engaged towards conservation of marine turtles mainly the Olive Ridley turtles. Their conservation initiatives include preventing killing of turtles, protecting them by building nests, construction and protection of hatchery and releasing and conserving hatchlings in their natural habitat.

Mahindra and Mahindra

Another notable company in India Mahindra and Mahindra has also effectively contributed towards the CSR. In the year, 2014 The Mahindra group in the year 2014 introduced 'Rise for good' which consisted of their new CSR initiatives. The major reason for bringing this initiatives under the same umbrella was to give them more strength and to make the employees more responsible towards them. These included 'Nanhi Kali' which focused on education of the girl child; 'Mahindra Pride School', which aims to encourage livelihood aspects among the youth; scholarships are also granted to the financially weak but deserving students; another initiative known as 'Hariyali', was introduced which encouraged people to plant more and more trees, a mobile train hospital known as 'Lifeline express' was also introduced. It also contributed towards disaster relief. (Bhattacharya, 2014) [3].

ITC Limited

Another notable contributor in the field of corporate governance is ITC Limited. The company has contributed to primary fields like eradication of poverty, promoting gender equality, promotion of education, environment sustainability, reducing child mortality, promoting health camps etc.

The e-Choupal program of ITC aims to help farmers in rural areas to procure agriculture products through the internet, it covers around 40,000 villages and around 4 million farmers.

Conclusion

As discussed above, India as a country has been a pioneer in CSR. The concept of socio-economic development is ingrained in the Indian minds since the time of ancient philosophers. The liberalization and globalization movement has further strengthened the CSR movement. The legal binding on the implementation of CSR by Companies Act, 2013 has been a landmark achievement in the field. The business houses have also responded well to this move and a lot of initiative has been taken by them. Even during pandemic of 2019 many amendments were made in the CSR field in order to make the companies contribute towards the research of the virus. CSR remains an integral part of all round development of a country. The philosophy of 'daan' and 'seva' will indeed pave the way for social upliftment of the country.

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